

IRVING INDEPENDENT SCHOOL DISTRICT

Regular - BOARD OF TRUSTEES
6:30 PM

Irving ISD Board Room
2621 West Airport Freeway
Irving, TX 75062
Tuesday, February 18, 2020

A G E N D A

- I. **CALL TO ORDER AND INVOCATION FOR 6:30 P.M. WORK SESSION**
- II. **PUBLIC COMMENT**
 - A. Non-Agenda Related Topics
 - B. Agenda Related Topics
- III. **DISCUSSION ITEMS**
 - A. Receive Presentation on Freeport Exemption (Moak, Casey & Associates) 2
 - B. Receive Presentation on Fine Arts Program (L. Campbell/J. King/G. Lawrence) 20
 - C. Receive Presentation on Athletic Program (L. Campbell/C. Roddy) 29
 - D. Discuss Items on February 24, 2020 Regular Board Meeting Agenda
- IV. **ADJOURNMENT**

RECEIVE PRESENTATION ON FREEPORT EXEMPTION

Moak, Casey & Associates from Austin, Texas, will present the Freeport Exemption information.

Attachment:

1. The Impact of a Freeport Exemption on the Irving Independent School District Preliminary Report

The Impact of a Freeport Exemption on the Irving Independent School District Preliminary Report



February 2020

Prepared by
**MOAK, CASEY
& ASSOCIATES**
SCHOOL FINANCE & ACCOUNTABILITY EXPERTS

Overview

Many school districts are faced with the question of whether to adopt a freeport exemption from property taxes as a means of stimulating economic growth and keeping affected businesses in their communities. This exemption applies to goods and inventory brought into or shipped out of the state that is used in manufacturing-related activities within a 175-day period. Most of these districts will receive little, if any, immediate improvement in school district revenues by granting the freeport exemption.

In many cases, the adoption of a freeport exemption by a school district is the result of more intangible factors—the overall economic needs of the community, the position of the school district within the community, or the relative attractiveness of commercial and industrial concerns likely to be influenced by the freeport issue. The freeport exemption has clearly become a major economic development tool used to attract manufacturing-related businesses; however, every school district must begin with consideration of the impact of the exemption on its future revenue stream.

The Irving Independent School District (IISD) has been asked to consider the adoption of a freeport exemption in order to foster economic development in the community. This report discusses the financial impact that the exemption would have on the finances of the district.

The Irving ISD Tax Office collected information for IISD businesses filing for the freeport exemption in recognition of it being granted by other area local governments. For the 2019 tax year, the taxable freeport inventory located in IISD is valued at \$155,043,947—with 42 companies having eligible freeport inventory. Assuming a combined M&O and I&S tax rate of \$1.3425 per \$100 for the 2019-20 school year, the total tax relief from a freeport exemption would reach **\$2.1 million** for the companies that currently have taxable freeport inventory in the District.

Of this amount, **\$1.66 million** are M&O taxes, while the remaining \$424,975 are I&S tax levies to pay debt service costs on voter approved bonds. The initial \$1.66 million M&O tax loss would largely be a non-recurring loss due to the current-year values used to determine M&O state aid under the new House Bill 3 school funding system approved for the 2019-20 school year.

IISD would expect to experience a reduction in I&S local tax revenue of **\$425,000** in the 2019-20 school year if the freeport exemption were granted, based on the 2019 data. This reduction is associated with I&S taxes levied by IISD for debt service payments on voter-approved school bonds. IISD is not eligible for state facilities funding, so there is no state aid offset for the reduction in I&S taxes due to the approval of a freeport exemption. The I&S component would be a recurring revenue reduction for IISD.

The recurring I&S tax reductions could be offset by reimbursement payments by the local businesses that will benefit from the exemption. A similar procedure has been developed in other school districts over the last two decades including McKinney, Grapevine-Colleyville, Plano, Garland, Mesquite, Richardson, Victoria, Leander and Del Valle ISDs, among others. This procedure would involve contractual commitments by individual companies to reimburse IISD for lost school-district revenue as a result of granting the freeport exemption.

Over the longer term, the economic impact of the freeport exemption will be measured in part by actions of current IISD business taxpayers. If existing companies base future plans regarding location or expansion on the failure of the district to adopt the exemption, financial losses may occur. Beyond the treatment of existing businesses, the freeport exemption policy of IISD and other local taxing units may affect the attractiveness of the IISD area to new manufacturing businesses. Economic development specialists argue that the lack of a freeport exemption makes it difficult to attract new businesses with goods and inventories that may be eligible for the exemption.

Background

This report provides the results of an analysis of the impact on IISD of a potential freeport exemption adopted under the provisions of ART. VIII, SECTION 1-j of the TEX. CONSTITUTION. Section 1-j was adopted in 1989 to promote economic development. Under the provisions of this Section, in combination with Section 11.251 of the TEX. PROP. TAX CODE, school districts and other local governments may choose to exempt “freeport goods” from taxation. The constitutional provision adopted in 1989 provided for the *automatic* exemption of freeport goods, unless governing boards of taxing units chose to tax the property by action taken before April 1, 1990. Governmental units are free to reconsider their original action to tax freeport goods, but once the goods are declared exempt, the decision may *not* be revoked. Most local governments in Texas adopted resolutions at that time to continue to tax freeport inventory. In the case of IISD, the Board of Trustees adopted a resolution to continue to tax freeport goods under this provision on December 18, 1989.

In contrast to most constitutional provisions regarding the taxation of property, Section 1-j leaves little opportunity for further statutory or administrative review. As a result, those jurisdictions adopting a freeport exemption face fewer risks as a result of the potential vagaries of interpretation by future legislatures, administrative bodies or the judicial system. Freeport goods are defined in specific terms by the Constitution as:

“ . . . goods, wares, merchandise, other tangible property . . . are exempt from ad valorem taxation if: (1) the property is acquired in or imported into this State to be forwarded outside this State . . . (2) the property is detained in this State for assembling, storing, manufacturing, processing, or fabricating purposes . . . ; and (3) the property is transported outside this State not later than 175 days after the date the person acquired or imported the property in this State.

A 2013 constitutional amendment amended Art. 8, sec. 1-j of the Texas Constitution to authorize the governing body of a political subdivision to extend the date by which aircraft parts with a freeport exemption are required to be transported outside of the state. Eligible goods could be exempt from taxes up to 730 days after being imported into or acquired in the state. An extension would apply only to the adopting political subdivision. This specific exemption is not addressed in this report. (Grapevine-Colleyville ISD is a local school district that approved the aircraft parts freeport exemption in 2014.)

Unlike some exemptions, a freeport exemption requires an application from the taxpayer. The deadline in statute generally is the last day of April of the tax year for which the exemption is requested (Tax Code §11.43(d)). Each taxpayer requesting an exemption must file an application annually and provide the information requested by the appraisal district (Tax Code §11.43(b)). Given that Dallas County and other local governments are currently granting the freeport exemption, it is reasonable to assume that companies with sizable inventories of freeport goods are already filing annually for the exemption.

Under Tax Code §11.4391, a taxpayer may file a late application with the chief appraiser, under certain considerations as to the timing of the application. In such circumstances, the taxpayer granted an exemption after a late application must pay a ten percent (10%) penalty on the taxes that would have been due on the inventory eligible for the exemption.

Following passage of the 1989 freeport constitutional amendment, the IISD Board of Trustees adopted a resolution to continue taxation of freeport property under the provisions of the new amendment to the Texas Constitution, as noted previously. Most local governments in Texas took similar action. Although this decision has remained in place since 1989, simple repeal of the original resolution constitutes approval of the freeport exemption. (In the case of IISD, this is the resolution adopted on December 18, 1989, as noted previously.) If the resolution is rescinded, the exemption automatically

applies to the tax year that begins after the date the action is taken, although a district may also act to have the freeport exemption apply to the current tax year. The specific procedure is authorized by ART. VIII, § 1-j(b)(4) of the TEXAS CONSTITUTION.

During the 2001 legislative session, a second freeport constitutional amendment (also known as Super Freeport) was approved by the House and Senate and placed on the November 6, 2001 statewide ballot. The amendment passed easily. Under this new provision, a second freeport amendment has been added to the TEXAS CONSTITUTION that differs from the current provision by increasing the number of days that personal property may be held without being transported. The amendment also provides that some property does not have to be shipped out-of-state but is limited to property held in independently operated warehouses. Enabling legislation had been considered for three consecutive legislative sessions after the constitutional provision was passed, but the legislation was not enacted due to the potentially large state aid cost associated with the broader amendment in the event a significant number of school districts adopted the new exemption. In 2007, however, HB 621 was finally passed, enabling the Super Freeport constitutional amendment.

To clarify the Super Freeport provision as it related to independent warehouses, legislation was passed during the 2011 session that modified an existing definition. In addition, Senate Bill 1 (2011) required all taxing units to take official action (adopt an ordinance or resolution) between October 1, 2011, and December 31, 2011, to provide for the taxation of goods-in-transit under the Super Freeport definition in 2012. Districts had to conduct a public hearing prior to doing so. The failure to take official action within the time frame would have made these specific goods-in-transit exempt from taxation beginning with the 2012 tax year. IISD is not being asked to consider this specific form of freeport exemption and the District acted to continue to tax Super Freeport eligible items. Very few school districts have enacted the Super Freeport exemption.

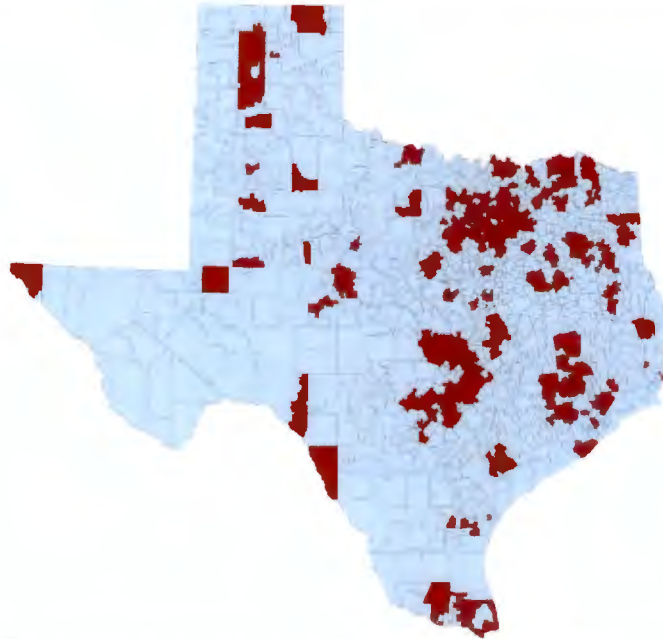
The freeport exemption is one of two primary economic development tools available to local school districts that are encouraged by the state and afforded state offsets under the Comptroller's state property value study. Chapter 313 of the Tax Code allows school districts to consider property value limitations for a ten-year period. Unlike the freeport exemption, a Chapter 313 value limitation is granted for a specific project for which the company files an application with the local school district that goes through an extensive review process on the part of the school district and the State Comptroller's Office.

Current Texas Experience

The original freeport exemption first took effect with the 1990 tax year. Many local governments continue to tax freeport goods through the adoption of resolutions in late 1989 and early 1990. The State Comptroller's Office reported that 208 school districts reported exempt freeport inventory for the 2019 tax year. The map shown as Figure 1 presents these districts based on their locations.

The number of school districts that have decided to grant the freeport exemption has grown steadily over the years. These data are illustrated in Table 1, which shows the number of school districts that have reported exempt freeport property, the statewide value of the exemption, and the estimated tax relief provided. The number of school districts exempting freeport goods has grown from 56 districts in 1993 to 208 districts in 2019. The value of the exemption increased from \$2.2 billion in 1993 to \$34.5 billion in 2019. The tax relief granted through the exemption grew from an estimated \$30.8 million in 1993 to \$467.7 million in 2019.

Figure 1: Freeport Exemptions Granted by Texas School Districts (2019)



A full listing of all districts reporting exempt freeport inventory in 2019 is shown in Appendix A.

Measurement of Potential Freeport Exemption

Based on data provided by the Irving ISD Tax Office, there are 42 businesses in IISD that reported goods and inventories in 2019 that would be eligible for the freeport exemption. With a freeport value of \$39,689,451, Dallas Airmotive, Inc. accounts for almost 26 percent of the value of freeport inventory (totaling \$155 million) for IISD. Data for these companies for 2019 are shown in Table 2.

If new businesses with freeport-eligible goods are attracted to the IISD area following action on the freeport exemption, any new freeport value would not be taxed and not appear on the local tax rolls. An argument for granting the freeport exemption is that the increases in manufacturing capacity are often accompanied by increases in real property that do add to the local tax roll.

Current Texas School Finance System

M&O funding for Texas schools relies on two methods of finance: local school district property taxes and state aid. State aid consists of two components: Tier I (based on ADA, special student populations and M&O taxes at the compressed tax rate) and Tier II (based on weighted ADA for each penny of tax effort above a specified level). Recapture costs are primarily a Tier I issue, although Tier II also can involve recapture costs for some school districts.

The basic allotment is now set at \$6,160 per weighted ADA (WADA) and is the basis for Tier I calculations. In the case of Tier II, the first eight cents of additional tax effort can be used to generate state aid of up to \$98.56 per WADA for what are known as “golden” pennies. Tax effort for golden pennies is not subject to recapture. Up to an additional nine cents may be levied to generate \$49.28 per WADA for what are known as “copper” pennies (generating half the revenue per WADA of the golden pennies).

Changes in the recapture calculation are an important part of HB 3, for those districts subject to recapture under the new law. Rather than being tied to property wealth exceeding an equalized wealth level per WADA, recapture is now defined as the amount of revenue collected in excess of a district's Tier I allotment, or for Tier II the amount of collections in excess of the entitlement provided for tax effort generating copper-penny level state aid. (Golden pennies are not subject to recapture.) The changes in the recapture methodology may affect the results of revenue protection payments relative to what was calculated when the equalized wealth level was used to determine the amount of recapture owed the state by school districts subject to recapture. Based on the analysis shown below, the recapture issue does not appear to be a significant factor for IISD.

Table 1. Summary of Freeport Exemptions Reported By Texas School Districts, 1993-2019 Tax Years

Tax Year	No. of School Districts Reporting Exemption	Freeport Value Exempted (in Millions)	Tax Relief Provided (in Millions)
1993	56	\$2,208.2	\$30.8
1994	60	\$2,349.6	\$34.5
1995	61	\$2,853.0	\$41.9
1996	70	\$3,637.6	\$53.9
1997	69	\$4,234.1	\$63.6
1998	75	\$4,592.9	\$71.2
1999	85	\$5,872.4	\$90.8
2000	93	\$7,225.9	\$113.9
2001	106	\$10,615.6	\$173.9
2002	112	\$9,977.9	\$166.0
2003	119	\$10,453.4	\$175.9
2004	131	\$13,152.4	\$225.0
2005	143	\$15,429.9	\$265.9
2006	152	\$16,396.2	\$260.0
2007	158	\$19,622.5	\$253.2
2008	159	\$21,974.8	\$286.7
2009	165	\$22,912.4	\$303.8
2010	165	\$20,255.0	\$270.7
2011	173	\$22,044.3	\$298.2
2012	179	\$26,241.4	\$357.0
2013	182	\$27,694.7	\$378.2
2014	181	\$27,599.6	\$379.0
2015	185	\$30,727.9	\$424.3
2016	188	\$30,269.9	\$422.9
2017	180	\$27,692.4	\$378.2
2018	194	\$30,069.9	\$426.5
2019	208	\$34,490.3	\$467.7

Source: State Comptroller's Self-Report Data, various years.

Table 2. 2019 Existing Taxable Freeport Inventory Values in IISD by % Freeport Inventory

Company Name	Total Freeport Inventory 2019 Tax Year	Total Tax Savings at \$1.34245	% Freeport Inventory
DALLAS AIRMOTIVE INC	\$39,689,451	\$532,831	25.60%
AMERICAN AIRLINES INC	\$24,226,549	\$325,241	15.63%
MCCORMICK FLAVOR DIVISION	\$22,793,213	\$305,999	14.70%
MOHAWK LABS	\$15,735,271	\$211,246	10.15%
MESTEK INC	\$8,756,928	\$117,562	5.65%
BRAKEBUSH IRVING INC	\$5,590,656	\$75,055	3.61%
HOLOGIC INC	\$4,454,281	\$59,799	2.87%
AMERICAN BEVERAGE CO	\$4,435,292	\$59,544	2.86%
DELTA STEEL TECHNOLOGIES	\$4,331,696	\$58,153	2.79%
OWENS CORNING ROOFING & ASPHALT LLC	\$3,574,162	\$47,983	2.31%
UNIVERSAL ELECTRONICS INC	\$2,419,565	\$32,483	1.56%
FRITO LAY INC	\$2,240,087	\$30,073	1.44%
DR PEPPER BOTTLING COMPANY OF TEXAS	\$2,173,358	\$29,177	1.40%
BEST O LIFE	\$1,403,083	\$18,836	0.90%
PLASTRONICS SOCKET CO	\$1,292,651	\$17,354	0.83%
MGGOLF	\$1,162,607	\$15,608	0.75%
FUSECO CORP	\$1,136,711	\$15,260	0.73%
FRANKLIN PRODUCTS INC	\$1,011,810	\$13,584	0.65%
FIRST FOOD CO	\$897,963	\$12,055	0.58%
SIGNAL METAL INDUSTRIES INC	\$887,580	\$11,916	0.57%
ALUMET SUPPLY	\$848,378	\$11,389	0.55%
MERCHANTS METALS	\$723,046	\$9,707	0.47%
REGAL BELOIT AMERICA INC	\$721,332	\$9,684	0.47%
SAMUEL SON & COMPANY	\$689,509	\$9,257	0.44%
REECE SUPPLY CO OF DALLAS INC	\$679,087	\$9,117	0.44%
DELTA ELECTRONICS USA INC	\$568,154	\$7,627	0.37%
MONSTER ENERGY CO	\$454,687	\$6,104	0.29%
ITW POLYMERS SEALANTS NORTH AMERICA	\$379,494	\$5,095	0.24%
WTEK INC	\$296,176	\$3,976	0.19%
HAGANS PLASTICS INC	\$270,978	\$3,638	0.17%
WELLER TRUCK PARTS	\$181,829	\$2,441	0.12%
TRI VANTAGE	\$168,589	\$2,263	0.11%
GENERAL INSULATION CO	\$164,721	\$2,211	0.11%
SMARTRISE ENGINEERING	\$128,120	\$1,720	0.08%
ACCENT GRAPHICS INC	\$114,592	\$1,538	0.07%
BRIDGEPORT FITTINGS	\$104,325	\$1,401	0.07%
TRUFIT PRODUCTS OF TEXAS	\$97,656	\$1,311	0.06%
NEW LIFE TRANSPORT PARTS	\$89,180	\$1,197	0.06%
SAMUEL SON & COMPANY	\$41,094	\$552	0.03%
HEAVYQUIP	\$38,810	\$521	0.03%
ALOE VERA OF AMERICA INC	\$36,849	\$495	0.02%
AFC CABLE SYSTEMS INC	\$34,427	\$462	0.02%
Totals	\$155,043,947	\$2,081,465	100.00%

Another significant school funding change is establishing current-year property values to determine state funding and recapture under the Foundation School Program. The traditional approach for the last 30 years has been to rely upon prior-year state property values as determined annually under the Comptroller's State Property Value Study (Section 403 of the Government Code). The change in House Bill 3 calls for using current-year property values as determined by the Comptroller's Property Value Study, without an explanation as to how the property value study is to be completed on a real-time basis.

If the freeport exemption is granted by IISD, formula state aid calculations would be based on a property value that had been reduced by the freeport exemption amount, other things being equal. Generally, a reduction in property value results in an increase in state M&O funding that is typically equal to, or very similar to, the amount of local taxes that would have been generated on the lost taxable value in the tax year of the adoption of the freeport exemption. The impact on debt service taxes is similar, although not quite as efficient as a result of how the state's debt service equalization programs operate. However, IISD is not eligible for any state facilities assistance and the related I&S tax revenue loss is expected to be a recurring one.

Revenue Projection Baseline Models

Moak, Casey & Associates prepared two school district revenue models for the purpose of calculating the potential state and local revenue losses for school districts considering adopting a freeport exemption. The first model assumes that all existing freeport inventory is taxable. The second model excludes the existing inventory from the overall taxable value. The difference in the two models (state and local revenue) estimates the potential revenue loss to the school district.

For the purposes of our projections, Moak, Casey & Associates used its revenue model to assess the M&O and I&S revenue loss to IISD were the exemption to be in effect in the 2019-20 school year. All data related to the state and local formula funding are based chiefly on District estimates for the 2019-20 school year. From these base estimates, the estimated \$155,043,947 in freeport inventory is deducted to isolate the impact of the freeport exemption.

Operating Funds (M&O)

Table 3 displays preliminary estimates of changes in state and local revenue for operations in the 2019-20 school year that would occur if the freeport exemption for IISD were first effective for the 2019 tax year. The District, if the freeport exemption were granted, would not have an estimated total M&O revenue loss during the 2019-20 school year.

Debt Service Funds (I&S)

If the freeport exemption were granted, IISD would have an estimated I&S loss \$424,731 the first year of the exemption, until other taxable values in the district increase to offset the lost value due to the freeport exemption. As noted previously, IISD is not eligible for state assistance for its debt service through the state's EDA and IFA program, so there is no I&S tax revenue-loss offset made by these state programs.

Total Impact on District and Companies

When both operating and debt service funds are considered, the total impact on the District in 2019-20 is effectively a loss of \$417,391 in total M&O and I&S revenue for the existing freeport-eligible inventory. The breakdown by company of the share of the revenue loss is shown in Table 4.

**TABLE 3. CHANGE IN OPERATING REVENUE IN 2019-20 FOR IISD WITH
 FREEPORT EXEMPTION**

		2019-20 Impact		
FUNDING ELEMENTS		Without Exemption	With Exemption	Change
Estimated Certified Appraisal Value for M&O		\$13,399,215,494	\$13,244,171,547	-\$155,043,947
CPTD Funding Value (2019) for M&O		\$13,045,291,448	\$12,890,247,501	-\$155,043,947
CPTD Funding Value (2019) for I&S		\$13,045,291,448	\$12,890,247,501	-\$155,043,947
Wealth per WADA		N/A	N/A	N/A
M&O Tax Rate		\$1.06835	\$1.06835	\$0
I&S Tax Rate		\$0.27410	\$0.27410	\$0
Total M&O Collections		\$144,032,870	\$142,376,458	-\$1,656,412
Total I&S Collections		\$36,727,250	\$36,302,275	-\$424,975
Compressed Tier:				
	M&O Taxes	\$125,380,763	\$123,938,855	-\$1,441,908
	State Formula Funds	\$146,057,174	\$147,499,083	\$1,441,909
	Recapture	\$0	\$0	\$0
	TOTAL COMPRESSED TIER	\$271,437,937	\$271,437,938	\$1
Tier II, Austin Yield				
	M&O Taxes	\$10,785,442	\$10,661,407	-\$124,035
	State Aid	\$24,385,262	\$24,513,483	\$128,221
	TOTAL TIER II, LEVEL 2	\$35,170,704	\$35,174,890	\$4,186
Tier II, \$31.95 Yield				
	M&O Taxes	\$7,866,665	\$7,776,196	-\$90,469
	State Aid	\$4,956,997	\$5,050,489	\$93,492
	Recapture	\$0	\$0	\$0
	TOTAL TIER II, LEVEL 3	\$12,823,662	\$12,826,685	\$3,023
Other State Aid				
		-\$11,323	-\$11,192	\$131
Fund 199 - General Fund:				
	Total	\$319,420,980	\$319,428,321	\$7,341
	State Aid	\$175,388,110	\$177,051,863	\$1,663,753
	Net M&O Taxes	\$144,032,870	\$142,376,458	-\$1,656,412
Fund 599 - Debt Service:				
	Total	\$37,496,021	\$37,071,290	-\$424,731
	State IFA	\$0	\$0	\$0
	State EDA	\$0	\$0	\$0
	Homestead HH	\$768,771	\$769,015	\$244
	Local I&S	\$36,727,250	\$36,302,275	-\$424,975
Total		\$356,917,001	\$356,499,610	-\$417,391

Reimbursement Payments

The short-term economic loss to IISD may be contrasted with the long-term economic benefit to business taxpayers. Given that IISD cannot repeal the exemption once offered, the taxpayer is guaranteed a permanent reduction in future taxes on freeport goods. With this incentive, it is not surprising that many school districts have turned to the taxpaying business community for specific relief from negative revenue impacts. Some districts have been willing to forego this opportunity, but most districts adopting the exemption in the past several years have requested and received reimbursement from affected businesses.

Several districts, including Grapevine-Colleyville, McKinney, Garland, Plano, Mesquite, Richardson, and Waco, Victoria and Del Valle ISDs, have adopted freeport exemptions with provisions for initial offsetting payments from the corporate sector to the district. These payments have eliminated much of the short-term negative impact of adoption of a freeport exemption. These payment agreements are generally based on an after-the-fact calculation of specific revenue losses resulting from the adoption of the freeport exemption. Through this process, districts are substantially “held harmless” from revenue losses incurred by adoption of the freeport exemption, with the revenue protection for a multi-year period in a number of cases.

The payment agreements for reimbursement were entered into with individual companies and were signed before adoption of the freeport exemption by the school district. The payment agreements committed the district to adoption of the freeport exemption. McKinney and Plano ISDs required an initial cash donation, as well as specific payments.

Given that the payments are, in effect, donations by the companies to the school district, both the timing and the amount of the payments may vary substantially from one district to another. For instance, in one district each company might pay the actual amount of its revenue gain, while in another district a few companies might decide to bear the entire amount of the revenue loss. Many other examples resulting from actual negotiations could supplement these illustrative approaches with affected companies. There are a variety of forms that such an agreement could take. In the payment plan developed in most districts, however, the companies take responsibility for the revenue loss based on their share of the current freeport inventory, as described in Table 4 below.

Economic Development

The economic impact of the freeport exemption is limited to specific commercial or industrial concerns with high levels of inventory destined for out-of-state sale. For these companies, the impact can be very significant.

The projection of economic impact depends on a wide variety of factors, including available warehouse space, alternative uses of raw land, overall economic factors, and other matters. A full projection of these matters is beyond the scope of this report.

If positive economic development takes place in IISD as a result of adopting a freeport exemption, increased property values may offer at least a short-term boost in school revenue in some cases, although the changes in House Bill 3 make this very unlikely. In many instances, the location decisions of a single major facility may have a positive impact locally. However, based on the experiences of other school districts in the area, generalized assumptions of economic growth attributable to freeport exemptions should be treated with caution. The current formula structure also tends to neutralize these gains for most of a school district’s M&O tax effort.

Table 4: Revenue Loss Share by Company

Company Name	% Freeport Inventory	Company Share of Revenue Loss for Tax Year 2019 (\$424,731)
DALLAS AIRMOTIVE INC	25.60%	\$108,726
AMERICAN AIRLINES INC	15.83%	\$66,367
MCCORMICK FLAVOR DIVISION	14.70%	\$62,440
MOHAWK LABS	10.15%	\$43,106
MESTEK INC	5.65%	\$23,989
BRAKEBUSH IRVING INC	3.61%	\$15,315
HOLOGIC INC	2.87%	\$12,202
AMERICAN BEVERAGE CO	2.86%	\$12,150
DELTA STEEL TECHNOLOGIES	2.79%	\$11,866
OWENS CORNING ROOFING & ASPHALT LLC	2.31%	\$9,791
UNIVERSAL ELECTRONICS INC	1.56%	\$6,628
FRITO LAY INC	1.44%	\$6,137
DR PEPPER BOTTLING COMPANY OF TEXAS	1.40%	\$5,954
BEST O LIFE	0.90%	\$3,844
PLASTRONICS SOCKET CO	0.83%	\$3,541
MGGOLF	0.75%	\$3,185
FUSECO CORP	0.73%	\$3,114
FRANKLIN PRODUCTS INC	0.65%	\$2,772
FIRST FOOD CO	0.58%	\$2,460
SIGNAL METAL INDUSTRIES INC	0.57%	\$2,431
ALUMET SUPPLY	0.55%	\$2,324
MERCHANTS METALS	0.47%	\$1,981
REGAL BELOIT AMERICA INC	0.47%	\$1,976
SAMUEL SON & COMPANY	0.44%	\$1,889
REECE SUPPLY CO OF DALLAS INC	0.44%	\$1,860
DELTA ELECTRONICS USA INC	0.37%	\$1,556
MONSTER ENERGY CO	0.29%	\$1,246
ITW POLYMERS SEALANTS NORTH AMERICA	0.24%	\$1,040
WTEK INC	0.19%	\$811
HAGANS PLASTICS INC	0.17%	\$742
WELLER TRUCK PARTS	0.12%	\$498
TRI VANTAGE	0.11%	\$462
GENERAL INSULATION CO	0.11%	\$451
SMARTRISE ENGINEERING	0.08%	\$351
ACCENT GRAPHICS INC	0.07%	\$314
BRIDGEPORT FITTINGS	0.07%	\$286
TRUFIT PRODUCTS OF TEXAS	0.06%	\$268
NEW LIFE TRANSPORT PARTS	0.06%	\$244
SAMUEL SON & COMPANY	0.03%	\$113
HEAVYQUIP	0.03%	\$106
ALOE VERA OF AMERICA INC	0.02%	\$101
AFC CABLE SYSTEMS INC	0.02%	\$94
Totals	100.00%	\$424,731

Another perspective on the role of economic development relates to the potential impact on current business conditions of failing to adopt a freeport exemption. If the affected companies choose to relocate from IISD because of the absence of a freeport exemption, there will be a negative initial financial impact on the District, with the potential for longer-lasting harm to the local economy. A loss in value would serve to reduce M&O tax income. There could also be a noticeable debt service tax impact that is not

expected to be made up by the state through the debt service equalization programs. The extent to which this potential policy impact will occur is beyond the scope of this report but must be acknowledged as a potential impact on IISD.

Conclusion

This report has attempted to address the financial impact on IISD of a freeport exemption if it had been adopted for the 2019-20 school year. Based on these estimates, IISD faces a financial burden from adoption of the freeport exemption, concentrated in its I&S revenue used to pay the debt service taxes on school district bonds. The loss could be offset through reimbursement agreements, as discussed in this report.

While reimbursements are expected to be required to protect IISD from any revenue losses as a result of adoption of the freeport exemption, the companies receiving the freeport exemption will experience a substantial long-term benefit. The freeport exemption provides a permanent exemption on eligible inventory, which is a significant benefit for many manufacturing businesses.

APPENDIX A:

FREEPORT EXEMPTIONS GRANTED BY TEXAS SCHOOL DISTRICTS, 2019 TAX YEAR

District Name	Total 2019 Tax Rate	Number Granted	Freeport Value Exempted	Projected Tax Savings
Abilene ISD	\$1.32140	18	\$26,796,548	\$354,090
Agua Dulce ISD	\$1.35462	1	\$8,752,074	\$118,557
Alamo Heights ISD	\$1.19500	4	\$9,402,580	\$112,361
Aldine ISD	\$1.34712	268	\$1,480,876,864	\$19,949,188
Aledo ISD	\$1.49330	1	\$355,350	\$5,306
Alief ISD	\$1.24410	26	\$46,006,118	\$572,362
Allen ISD	\$1.45890	21	\$171,338,337	\$2,499,655
Alvarado ISD	\$1.47000	10	\$55,008,568	\$808,626
Amarillo ISD	\$1.16900	45	\$16,437,520	\$192,155
Anthony ISD	\$1.16908	6	\$19,376,972	\$226,532
Argyle ISD	\$1.50800	1	\$491,688	\$7,415
Arlington ISD	\$1.29867	271	\$1,212,308,157	\$15,743,882
Athens ISD	\$1.36909	14	\$62,117,352	\$850,442
Azle ISD	\$1.24735	3	\$7,053,251	\$87,979
Ballinger ISD	\$1.06830	3	\$6,864,984	\$73,339
Barbers Hill ISD	\$1.25980	19	\$130,362,101	\$1,642,302
Bastrop ISD	\$1.37100	4	\$46,345,926	\$635,403
Birdville ISD	\$1.38390	46	\$215,602,122	\$2,983,718
Bloomington ISD	\$1.23173	1	\$21,340	\$263
Boerne ISD	\$1.28400	9	\$25,017,230	\$321,221
Bonham ISD	\$1.31210	4	\$7,216,664	\$94,690
Booker ISD	\$1.06840	1	\$1,807,785	\$19,314
Borger ISD	\$1.38290	10	\$6,864,760	\$94,933
Bosqueville ISD	\$1.32239	3	\$4,579,609	\$60,560
Brazosport ISD	\$1.18530	36	\$500,468,553	\$5,932,054
Bridgeport ISD	\$1.17820	1	\$227,292	\$2,678
Brock ISD	\$1.49830	2	\$209,242	\$3,135
Brownsville ISD	\$1.18671	68	\$160,201,699	\$1,901,130
Burkburnett ISD	\$1.44000	4	\$61,237,114	\$881,814
Burleson ISD	\$1.56835	5	\$4,320,383	\$67,759
Burnet CISD	\$1.18500	3	\$15,551,426	\$184,284
Bushland ISD	\$1.16371	4	\$172,730,874	\$2,010,086
Cameron ISD	\$1.31950	1	\$2,378,712	\$31,387
Canutillo ISD	\$1.42835	61	\$280,134,105	\$4,001,295
Canyon ISD	\$1.23000	14	\$51,666,167	\$635,494
Carrollton-Farmers Branch	\$1.26835	194	\$707,918,604	\$8,978,886
Cedar Hill ISD	\$1.30600	8	\$12,870,922	\$168,094
Celina ISD	\$1.54890	2	\$3,451,308	\$53,457
Chapel Hill ISD	\$1.14590	5	\$38,616,574	\$442,507
Chico ISD	\$1.17804	2	\$23,091	\$272

District Name	Total 2019 Tax Rate	Number Granted	Freeport Value Exempted	Projected Tax Savings
Chisum ISD	\$1.15000	9	\$44,573,604	\$512,596
City View ISD	\$1.38840	3	\$6,176,506	\$85,755
Clarksville ISD	\$1.06835	9	\$13,052,773	\$139,449
Clint ISD	\$1.30495	4	\$7,142,051	\$93,200
Comal ISD	\$1.32000	22	\$104,379,917	\$1,377,815
Commerce ISD	\$1.44328	4	\$8,276,949	\$119,460
Conroe ISD	\$1.23000	61	\$285,522,317	\$3,511,924
Cooper ISD	\$1.27840	1	\$1,779,650	\$22,751
Coppell ISD	\$1.33090	135	\$1,071,654,530	\$14,262,650
Crowley ISD	\$1.56840	4	\$18,494,159	\$290,062
Cypress-Fairbanks ISD	\$1.37000	528	\$2,387,252,114	\$32,705,354
Dallas ISD	\$1.31039	534	\$2,533,703,323	\$33,201,395
Decatur ISD	\$1.21000	6	\$28,909,115	\$349,800
Deer Park ISD	\$1.41510	157	\$857,727,840	\$12,137,707
Del Valle ISD	\$1.31000	28	\$114,204,753	\$1,496,082
Denison ISD	\$1.49900	7	\$38,850,881	\$582,375
Denton ISD	\$1.47000	31	\$299,508,871	\$4,402,780
DeSoto ISD	\$1.52835	1	\$365,165	\$5,581
Dublin ISD	\$1.23075	1	\$390,515	\$4,806
Dumas ISD	\$1.07790	12	\$60,253,483	\$649,472
Duncanville ISD	\$1.41830	45	\$147,817,054	\$2,096,489
Eagle Mountain-Saginaw ISD	\$1.51800	92	\$799,933,397	\$12,142,989
Eagle Pass ISD	\$1.16160	12	\$52,224,740	\$606,643
Ector County ISD	\$1.17792	135	\$158,156,465	\$1,862,957
Edinburg CISD	\$1.13820	14	\$11,546,107	\$131,418
El Paso ISD	\$1.26835	122	\$433,358,429	\$5,496,502
Elgin ISD	\$1.51830	2	\$1,804	\$27
Evadale ISD	\$1.20660	2	\$29,614,314	\$357,326
Everman ISD	\$1.39000	15	\$33,421,710	\$464,562
Fabens ISD	\$1.33830	1	\$26,411,732	\$353,468
Fairfield ISD	\$1.21302	1	\$181,230	\$2,198
Florence ISD	\$1.30030	1	\$219,308	\$2,852
Forney ISD	\$1.47000	4	\$26,596,627	\$390,970
Fort Bend ISD	\$1.27000	60	\$269,922,200	\$3,428,012
Fort Worth ISD	\$1.28200	201	\$848,531,439	\$10,878,173
Frisco ISD	\$1.33830	11	\$112,249,489	\$1,502,235
Garland ISD	\$1.39000	112	\$596,961,260	\$8,297,762
Garner ISD	\$1.05977	3	\$22,342,690	\$236,781
Georgetown ISD	\$1.33900	9	\$41,387,317	\$554,176
Goose Creek CISD	\$1.35428	10	\$51,196,297	\$693,341
Graham ISD	\$1.27700	6	\$3,839,691	\$49,033
Granbury ISD	\$1.12500	6	\$2,633,000	\$29,621
Grand Prairie ISD	\$1.53835	82	\$524,370,170	\$8,066,649

District Name	Total 2019 Tax Rate	Number Granted	Freeport Value Exempted	Projected Tax Savings
Grapevine-Colleyville ISD	\$1.32670	72	\$2,619,901,129	\$34,758,228
Greenville ISD	\$1.22848	14	\$86,281,725	\$1,059,954
Harlingen CISD	\$1.21640	32	\$98,876,462	\$1,202,733
Hays CISD	\$1.46770	7	\$40,661,695	\$596,792
Hempstead ISD	\$1.30920	1	\$1,389,883	\$18,196
Henderson ISD	\$1.20000	9	\$14,200,980	\$170,412
Hidalgo ISD	\$1.29630	40	\$162,617,231	\$2,108,007
Highland Park ISD	\$1.10330	32	\$192,448,392	\$2,123,283
Hillsboro ISD	\$1.40990	4	\$782,796	\$11,037
Huntsville ISD	\$1.09800	5	\$7,427,893	\$81,558
Hurst-Euless-Bedford ISD	\$1.22000	60	\$215,243,815	\$2,625,975
Hutto ISD	\$1.49835	3	\$3,475,113	\$52,069
Ingleside ISD	\$1.07750	6	\$60,003,256	\$646,535
Iowa Park CISD	\$1.43000	3	\$10,416,017	\$148,949
Jarrell ISD	\$1.47000	2	\$1,046,044	\$15,377
Jasper ISD	\$1.23400	3	\$1,529,301	\$18,872
Jefferson ISD	\$1.05580	4	\$1,543,930	\$16,301
Jonesboro ISD	\$1.16540	1	\$3,284	\$38
Judson ISD	\$1.35840	25	\$66,516,936	\$903,566
Keller ISD	\$1.40830	6	\$3,903,126	\$54,968
Kemp ISD	\$1.40800	2	\$675,925	\$9,517
Kilgore ISD	\$1.23920	19	\$74,440,242	\$922,463
Klein ISD	\$1.36000	59	\$291,405,460	\$3,963,114
Krum ISD	\$1.39183	1	\$71,062	\$989
La Feria ISD	\$1.25435	2	\$3,269	\$41
La Porte ISD	\$1.28000	426	\$1,321,527,370	\$16,915,550
La Vega ISD	\$1.29027	5	\$22,451,210	\$289,681
Lamar CISD	\$1.32000	25	\$58,285,667	\$769,371
Lancaster ISD	\$1.52835	22	\$148,139,496	\$2,264,090
Leander ISD	\$1.43750	15	\$26,011,787	\$373,919
Lewisville ISD	\$1.33750	108	\$1,142,419,868	\$15,279,866
Liberty Hill ISD	\$1.47000	2	\$1,718,717	\$25,265
Liberty ISD	\$1.31250	5	\$12,493,730	\$163,980
Lindale ISD	\$1.36000	3	\$9,924,665	\$134,975
Lockhart ISD	\$1.26236	2	\$940,803	\$11,876
London ISD	\$1.34750	2	\$78,957	\$1,064
Loraine ISD	\$1.43667	1	\$253	\$4
Lufkin ISD	\$1.31830	12	\$27,855,762	\$367,223
Lyford CISD	\$1.22840	1	\$435,520	\$5,350
Manor ISD	\$1.47000	40	\$498,193,804	\$7,323,449
Mansfield ISD	\$1.46000	62	\$184,210,927	\$2,689,480
Marble Falls ISD	\$1.19860	13	\$9,239,075	\$110,740
Marshall ISD	\$1.26000	25	\$105,940,172	\$1,334,846

District Name	Total 2019 Tax Rate	Number Granted	Freeport Value Exempted	Projected Tax Savings
McAllen ISD	\$1.15280	65	\$100,583,418	\$1,159,526
McGregor ISD	\$1.27600	7	\$24,504,251	\$312,674
McKinney ISD	\$1.48835	25	\$186,577,010	\$2,776,919
Mesquite ISD	\$1.45000	38	\$136,229,343	\$1,975,325
Midlothian ISD	\$1.47000	13	\$56,014,238	\$823,409
Mission CISD	\$1.23955	9	\$16,746,963	\$207,587
Montgomery ISD	\$1.30750	4	\$1,845,035	\$24,124
Mount Pleasant ISD	\$1.34000	20	\$64,104,732	\$859,003
Nacogdoches ISD	\$1.23100	15	\$27,147,740	\$334,189
Navarro ISD	\$1.27593	21	\$68,247,236	\$870,787
New Deal ISD	\$1.06000	2	\$12,635,312	\$133,934
New Waverly ISD	\$1.25840	1	\$647,269	\$8,145
North Lamar ISD	\$0.97000	8	\$44,592,871	\$432,551
Northwest ISD	\$1.42000	96	\$2,376,312,870	\$33,743,643
Palestine ISD	\$1.41830	4	\$712,169	\$10,101
Paris ISD	\$1.35340	10	\$29,926,123	\$405,020
Pearland ISD	\$1.39560	48	\$80,684,689	\$1,126,036
Perryton ISD	\$1.05500	1	\$267,044	\$2,817
Pflugerville ISD	\$1.45000	44	\$561,742,634	\$8,145,268
Plano ISD	\$1.33735	84	\$455,714,239	\$6,094,494
Point Isabel ISD	\$1.02190	14	\$25,091,934	\$256,414
Pottsboro ISD	\$1.10000	5	\$46,795,212	\$514,747
Prairiland ISD	\$1.09950	2	\$1,416,070	\$15,570
Princeton ISD	\$1.56835	1	\$133,218	\$2,089
Prosper ISD	\$1.56835	1	\$2,302,259	\$36,107
Raymondville ISD	\$1.20835	3	\$922,849	\$11,151
Red Oak ISD	\$1.43835	1	\$218,761,577	\$3,146,557
Richardson ISD	\$1.41835	95	\$335,487,482	\$4,758,387
Rio Hondo ISD	\$1.39740	1	\$0	\$0
Robstown ISD	\$1.56830	2	\$451,154	\$7,075
Rockdale ISD	\$1.31835	2	\$601,040	\$7,924
Rockwall ISD	\$1.35000	14	\$29,836,635	\$402,795
Rosebud-Lott ISD	\$1.26300	1	\$41,090	\$519
Round Rock ISD	\$1.23480	59	\$444,701,828	\$5,491,178
Royal ISD	\$1.42717	17	\$93,767,558	\$1,338,222
Royse City ISD	\$1.56835	5	\$5,401,695	\$84,717
S and S CISD	\$1.36835	2	\$924,072	\$12,645
San Angelo ISD	\$1.13000	7	\$36,248,471	\$409,608
San Antonio ISD	\$1.53095	63	\$159,544,554	\$2,442,547
San Benito CISD	\$1.30490	8	\$152,735,273	\$1,993,043
San Felipe-Del Rio CISD	\$1.06173	27	\$96,038,708	\$1,019,672
San Marcos CISD	\$1.31390	10	\$148,764,563	\$1,954,618
Santa Fe ISD	\$1.33230	1	\$58,401	\$778

District Name	Total 2019 Tax Rate	Number Granted	Freeport Value Exempted	Projected Tax Savings
Schertz-Cibolo-Universal City	\$1.42000	17	\$93,168,091	\$1,322,987
Seguin ISD	\$1.37500	21	\$175,231,675	\$2,409,436
Sharyland ISD	\$1.29870	32	\$93,315,534	\$1,211,889
Sherman ISD	\$1.64900	22	\$91,886,260	\$1,515,204
Socorro ISD	\$1.36895	97	\$835,756,457	\$11,441,088
Southside ISD	\$1.40454	1	\$1,097,590	\$15,416
Splendora ISD	\$1.49840	1	\$224,261	\$3,360
Spring ISD	\$1.43000	56	\$178,112,236	\$2,547,005
Spur ISD	\$1.28380	1	\$10,970	\$141
Stafford MSD	\$1.25005	56	\$230,207,429	\$2,877,708
Stanton ISD	\$1.25000	2	\$1,663,480	\$20,794
Stephenville ISD	\$1.27290	9	\$216,671,737	\$2,758,015
Sulphur Springs ISD	\$1.28048	7	\$24,479,728	\$313,458
Sunnyvale ISD	\$1.45000	10	\$103,436,112	\$1,499,824
Sunray ISD	\$1.40000	1	\$116,120	\$1,626
Tahoka ISD	\$1.38375	1	\$71,840	\$994
Taylor ISD	\$1.46830	5	\$8,397,770	\$123,304
Terrell ISD	\$1.49805	25	\$110,892,769	\$1,661,229
Tomball ISD	\$1.29000	1	\$94,689	\$1,221
Troup ISD	\$1.18335	5	\$2,453,984	\$29,039
Tulia ISD	\$1.32880	1	\$8,932	\$119
Tyler ISD	\$1.33500	45	\$129,129,489	\$1,723,879
Van Alstyne ISD	\$1.53590	3	\$16,555,163	\$254,271
Veribest ISD	\$1.18840	2	\$1,673,748	\$19,891
Victoria ISD	\$1.19350	24	\$170,166,787	\$2,030,941
Waco ISD	\$1.30245	26	\$98,706,506	\$1,285,603
Waller ISD	\$1.37000	20	\$203,107,278	\$2,782,570
Waxahachie ISD	\$1.45220	33	\$87,649,794	\$1,272,850
Weatherford ISD	\$1.34735	10	\$22,571,963	\$304,123
West Orange-Cove CISD	\$1.32335	18	\$198,888,270	\$2,631,988
West Oso ISD	\$1.40810	12	\$26,885,754	\$378,578
Westwood ISD	\$1.06830	2	\$6,044,273	\$64,571
Whitehouse ISD	\$1.32500	10	\$35,892,712	\$475,578
Whitesboro ISD	\$1.26335	1	\$546,852	\$6,909
Wichita Falls ISD	\$1.15000	17	\$37,788,740	\$434,571
Winona ISD	\$1.28420	7	\$14,657,645	\$188,233
Winters ISD	\$0.97000	5	\$2,440,285	\$23,671
Wylie ISD	\$1.53840	10	\$31,525,316	\$484,985
Ysleta ISD	\$1.35330	158	\$320,632,086	\$4,339,114

Receive Presentation of Fine Arts Program

Fine Arts Administrators will present an overview of their programs, including growth and improvement strategies.

Attachment:

- Presentation of Irving ISD's Fine Arts Programs

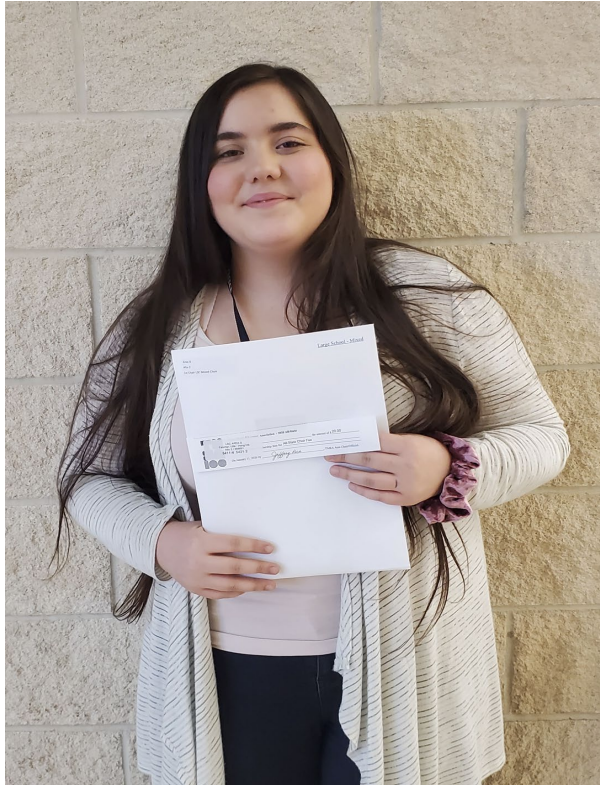


Fine Arts All-City Initiatives



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Fine Arts All-Region Process



Master Classes



February 18, 2020

Exhibit III.B

Fine Arts UIL Competition & Assessment



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Fine Arts UIL Competition & Assessment



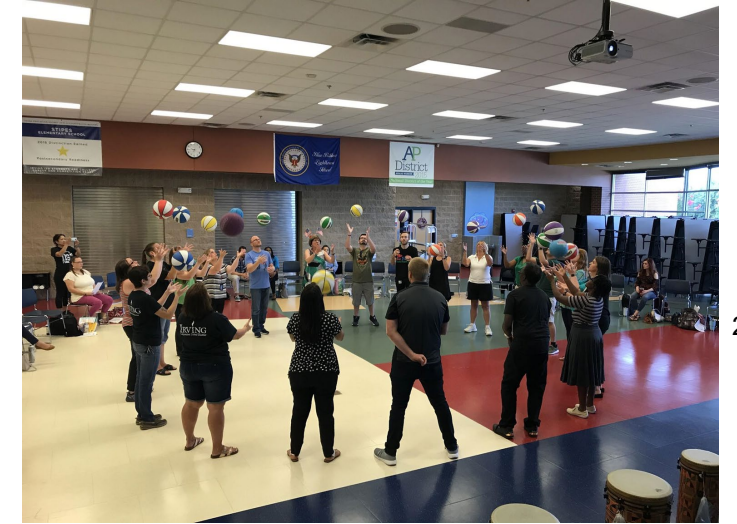
February 18, 2020



26

Exhibit III.B

Fine Arts Program Growth & Development



27

Fine Arts Swimming Programs



Receive Presentation of Athletic Program

Athletic Administrator will present an overview of the programs, including growth and improvement strategies.

Attachment:

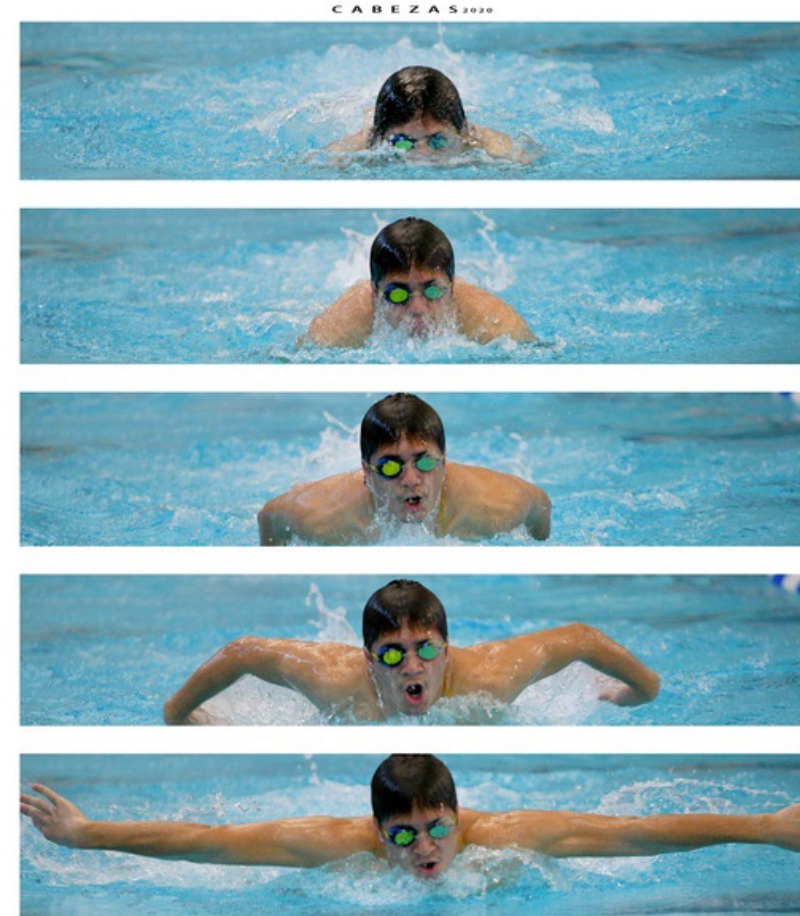
- Presentation of Irving ISD's Athletic Program



Athletics- Swimming

Achievements

- 2 Individual District Champions
- 11 Relay Team Regional Qualifiers
- 14 Individual Regional Qualifiers



Athletics- Wrestling

Achievements

- **Nimitz District 3-6A 3rd Place**
- **1 Individual District Champion**
- **14 Individual Regional Qualifiers**
 - Irving, MacArthur, & Nimitz



Athletics- Soccer

Achievements

- Irving HS Boys- 10-2-1 Record
- Key Wins: Duncanville, Highland Park, Prosper, Skyline, Coppel, Lewisville
- Sights Set on State



Athletics- Basketball

Achievements

- **MacArthur Girls- District 6-6A Champions**
 - Sarah Andrews, Hannah Gusters- 2020 Baylor University Scholarship Recipients
 - Hannah Gusters, 2020 McDonald's All-American

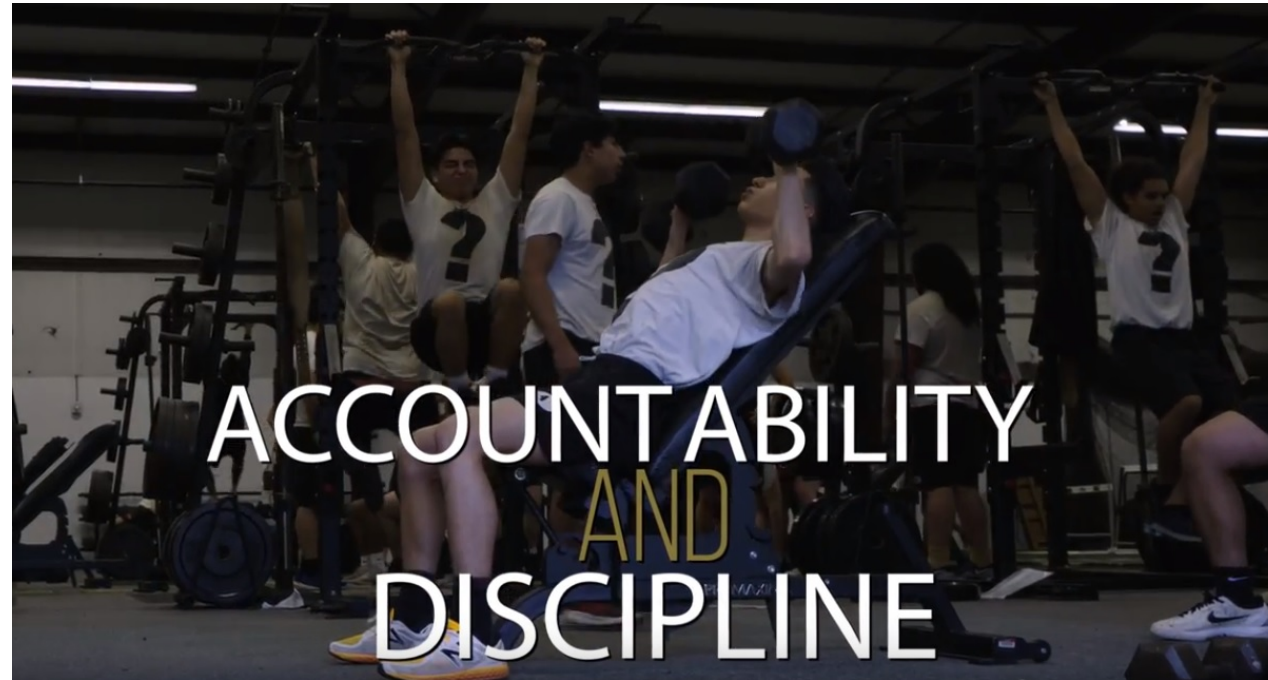


- **MacArthur Boys- Currently 2nd Place, District 6-6A**

Athletics- Growth & Improvement

Off Season

- How are we getting better?



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